



January 10, 2011

Sent Via Email: regcomments@ncua.gov

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Re: Proposed Rule (12 C.F.R. Parts 701, 704 and 741)

Dear Ms. Rupp:

Central Corporate Credit Union (CenCorp) has reviewed the Proposed Rule governing Corporate credit unions (Corporates) issued by the NCUA in November 2010. The Proposed Rule would impact the over 300 member credit unions served by CenCorp directly through restrictions on membership at multiple Corporates. It would impact them indirectly through new requirements and additional compliance costs at CenCorp.

The NCUA issued new Corporate regulations in September 2010. These regulations included more restrictive investment guidelines and new capital requirements to limit risks and address the underlying causes of recent losses at Corporates. The results of Material Loss Reviews prepared by the NCUA's Office of Inspector General (OIG Reviews) on the causes of the losses that led to the conservatorships of U.S. Central Federal Credit Union and Western Corporate Federal Credit Union were subsequently released in October and November 2010, respectively. Importantly, the OIG Reviews noted (1) that the losses at the two organizations were caused by excessive investment risk exposures and (2) that NCUA Corporate regulations issued in September 2010 addressed this cause going forward.

The Proposed Rule goes beyond the provisions contained in the NCUA regulations issued in September 2010. It contains certain provisions (such as recorded Board votes) that CenCorp does in practice today. However, other provisions would add cost and/or other requirements that CenCorp believes would have little benefit. CenCorp's comments on these specific provisions are set forth below.

Enterprise Risk Management and Reporting Requirements (704.15 and 704.22)

The Proposed Rule establishes new Enterprise Risk Management and reporting requirements for Corporates. This includes a requirement for the Corporate's Board to hire a risk management expert and create an Enterprise Risk Management Committee. The NCUA states that these requirements are "similar to those required for banks under the Federal Deposit Insurance Act

and the Sarbanes-Oxley Act.” The NCUA is seeking to apply banking and public company requirements beyond their original objectives to Corporates.

CenCorp currently goes through an extensive risk assessment on an organization-wide basis at least annually and when significant internal changes are made. In addition, CenCorp operations are reviewed by internal auditors, external auditors and examiners annually. This framework has worked well as CenCorp has identified and mitigated risks in the operations that these provisions seek to address. We estimate that the proposed requirements would *approximately double* the annual compliance-related costs paid by CenCorp.

Ultimately, any additional compliance requirements need to be evaluated in light of the benefits received (such as preventing a loss). As noted previously, the cause of recent Corporate investment losses were addressed by the NCUA already. Corporate operations were restricted further with the new regulations in September 2010. The Sarbanes-Oxley Act has increased the compliance costs of public companies, but its benefits, if any, have been difficult to identify. CenCorp believes that the Proposed Rule would provide little benefit in relation to the additional compliance costs that would be incurred. The existing regulatory system is sufficient to address the risks in Corporate operations. These provisions should not be adopted.

Limit Membership to One Corporate (701.5)

The Proposed Rule limits the membership of natural person credit unions to one Corporate, with an exception for existing relationships. CenCorp’s experience is that the vast majority of credit unions use the services of only one Corporate today. Some credit unions with branches in a geographically wide area have found it beneficial to use correspondent services from multiple Corporates, in addition to the investment services noted by the NCUA in its discussion to the Proposed Rule. Credit unions currently have the choice to use multiple, one or no Corporate.

Several Corporates used expanded investment authority to market investment products nationally under prior regulations. The recent investment restrictions and capital regulation changes instituted by the NCUA restrict a Corporate’s ability to do this in the future. CenCorp believes that a credit union’s use of multiple Corporates for investment services specifically will be limited as the result of the new regulations. The impact of a “one Corporate” rule would be seen more in the correspondent services area.

CenCorp believes that credit unions would be best served by having the freedom to use or not use the services of a Corporate(s). Further, a new restriction at the same time that Corporates are finalizing business plans and/or raising capital will complicate the situation. It may lead to less capital in the Corporate system as a whole. CenCorp does not believe that membership should be restricted to one Corporate.

Distribution of Corporate Stabilization Expenses (704.21)

The Proposed Rule requires a Corporate to hold a special meeting(s) to allow members to vote on the expulsion of any non-federally insured members who do not voluntarily pay a share of the Corporate Stabilization Fund assessment expenses. This would mainly impact the 25 non-credit union members of CenCorp (credit union affiliates such as CUSOs). The accounts of these members were generally established to facilitate correspondent services and settlement transactions between members. There is also one privately-insured credit union that is a CenCorp member.

This provision would potentially disrupt the services that CenCorp provides to members, requires CenCorp to incur the costs of calling special meetings, and puts members in the uncomfortable position of voting on the expulsion of fellow members. CenCorp believes that this provision is not appropriate and should not be enacted.

If you have any questions or need clarification on any of the items above, please contact me at (248) 304-3004.

Sincerely,

A handwritten signature in black ink, appearing to read "W. A. Walby", with a stylized flourish at the end.

William A. Walby
Chief Executive Officer